

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF PORTER	County CASS
Audit Date March 31, 2005	Opinion Date May 6, 2005	Date Accountant Report Submitted to State August 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, CPA			
Street Address 3775 Kimmel Road		City Horton	State MI
		Zip 49246	
Accountant Signature 			

**TOWNSHIP
OF
PORTER
CASS COUNTY MICHIGAN
FINANCIAL STATEMENTS
MARCH 31, 2005**

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Porter
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Porter, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Porter's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Porter as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005, on our consideration of the Township of Porter's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 29 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

Township Board
Township of Porter

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Porter's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

May 6, 2005

This section of the Township of Porter's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. It is best read in conjunction with the Township's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Township of Porter financially and the two types of statements present different views of the Township. The government-wide statements reflect information about the activities of the entire Township, presenting an aggregate view and a longer-term view of the Township's overall financial status. The fund financial statements focus on individual components of Township government, reporting the Township's operations in more detail and demonstrating how services were financed in the short term.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Township's net assets - the difference between assets and liabilities- as one way to measure the Township's financial health or position. Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as public works, roads and general administration. Property taxes and state revenue sharing finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Township charges fees to customers to cover the costs of providing this service.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. The Township Board establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Township currently has two types of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Township's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - Services for which the Township charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Township's enterprise fund, the Sewer Fund, is a type of proprietary fund.

The Township as a Whole

The statement of net assets presents the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2005, in thousands of dollars.

TABLE 1	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and other assets	\$ 148.9	\$ 24,194.0	\$ 24,342.9
Capital Assets	369.1	5,834.2	6,203.3
TOTAL ASSETS	518.0	30,028.2	30,546.2
LIABILITIES			
Current liabilities	29.3	13,083.6	13,112.9
Long-term liabilities	---	17,100.0	17,100.0
TOTAL LIABILITIES	29.3	30,183.6	30,212.9
NET ASSETS			
Invested in capital assets, Net of related debt	369.1	-272.0	97.1
Restricted	---	116.6	116.6
Unrestricted	119.6	---	119.6
TOTAL NET ASSETS	\$ 488.7	\$ -155.4	\$ 333.3

The Township as a Whole (Continued)

Since this is the first year the Township has prepared financial statements under the new reporting model, GASB 34, a comparative analysis with the prior year is not included. In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

In the business-type activities, \$17,100,000 of the long-term debt represents sewer bond proceeds and will be repaid from special assessment revenues as the debt service comes due.

The Township's combined net assets were \$333.3 thousand at March 31, 2005. Capital assets (net of related debt) totaling \$97.1 thousand compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In the business-type activities the Township currently has \$116.6 thousand of restricted net assets. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$119,632 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current fiscal year and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities	Business-type Activities	Total
REVENUE			
Program Revenue			
Charges for Services	\$ 96.0	\$ ---	\$ 96.0
General Revenue			
Property taxes	156.2	---	156.2
State entitlements	252.2	---	252.2
Special Assessments	---	116.6	116.6
Interest earnings	1.1	238.6	239.7
Other	61.9	---	61.9
TOTAL REVENUE	567.4	355.2	922.6
EXPENSES			
General Government	476.9	---	476.9
Public Safety	301.0	---	301.0
Public Works	26.0	---	26.0
Recreation	---	---	---
Interest On Long Term Debt	---	339.0	339.0
Depreciation (Unallocated)	14.9	---	14.9
Sewer	---	171.6	171.6
Transfers Out	23.4	---	23.4
TOTAL EXPENSES	842.2	510.6	1,352.8
CHANGE IN NET ASSETS	\$ -274.8	\$ -155.4	\$ -430.2

Governmental Activities

In March 2005, the Township had a recall election. The budget was not completed before the recall. The newly elected officials completed the budget in June. There was a loss of state shared revenue.

The Township also spent a large sum of cash on attorney fees, contesting the sewer that is currently being installed in the Township. The attorney fees contributed to the high expenditures.

A Township Safety Authority was formed this past year. The formation of this Authority, reduced revenue and expenses incurred in the operation of the fire and ambulance department.

Business-Type Activities

A sewer system is being installed, and is still in the construction stages. The Township will not receive revenue from this project for some time. The Township has entered into a 20-year contract with the county for this project. A sewage treatment plant is being built to service the new sewer system. The treatment plant will be ready for operation late this summer. Usage fees will not be collected until at least part of the system is operational.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. As noted earlier, the Township creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Township's major governmental fund is the General Fund.

The General Fund pays for most of the Township's governmental services and supports capital improvements. The General Fund is supported mainly by property taxes and state shared revenue. As we completed the year, the governmental funds reported a combined fund balance of \$119,632, a decrease of \$265,932 from the previous year.

General Fund Budgetary Highlights

The budget was amended during the past fiscal year due to the large amount of cash spent on attorney fees. In addition, newly elected officials had to complete the budget for the fiscal year, and estimates had to be made on several items.

Expenses were also increased for elections during the year. Elections included primary and general elections, a recall election and a special election.

Capital Asset and Debt Administration

At the end of the 2004-05 fiscal year, the Township managed capital assets valued at over \$6 million including property, buildings, roads, drains, equipment, and sewer lines.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Non-Depreciable Assets						
Land	\$ 10	\$ 10	\$ ---	\$ ---	\$ 10	\$ 10
Depreciable Assets						
Buildings	475	475	---	---	475	475
Sewer System	---	---	5,834	---	5,834	---
Vehicles	---	368	---	---	---	368
Equipment	34	216	---	---	34	216
Total	\$ 519	\$ 1,069	\$ 5,834	\$ ---	\$ 6,353	\$ 1,069

Economic Factors and Next Year's Budgets and Rates

The primary factor taken into consideration was the money expended for attorneys during the last fiscal year. The board is attempting to cut back on expenses to again build up the financial reserves. No road work was completed the last fiscal year. This year the budget includes resources to do some road work.

As for the Township's business-type activity, currently no revenue is coming in from the sewage treatment plant. An operational budget is still being formulated, but the plant will not be functional for several months. All areas to be serviced by the sewer will not be completed until approximately January of 2006.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, 69373 Baldwin Prairie Road, Union, MI 49130.

STATEMENT OF NET ASSETS

MARCH 31, 2005

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 96,228	\$ 11,499,421	\$ 11,595,649
Due From Other Governmental Units	42,486	---	42,486
Accounts Receivable	10,174	---	10,174
Prepaid Expenditures	---	---	---
Total Current Assets	148,888	11,499,421	11,648,309
Non-current Assets			
Capital Assets	519,282	5,834,242	6,353,524
Less: Accumulated Depreciation	-150,205	---	-150,205
Total Non-current Assets	369,077	5,834,242	6,203,319
Other Assets			
Special Assessments Receivable	---	12,694,593	12,694,593
TOTAL ASSETS	\$ 517,965	\$ 30,028,256	\$ 30,546,221
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 29,256	\$ ---	\$ 29,256
Accrued Interest	---	339,050	339,050
Bonds Payable, Due within One Year	---	50,000	50,000
Total Current Liabilities	29,256	389,050	418,306
Non-current Liabilities			
Bonds Payable	---	17,100,000	17,100,000
Compensated Absences and Severance Pay	---	---	---
Total Non-current Liabilities	---	17,100,000	17,100,000
Other Liabilities			
Deferred Revenue Special Assessments	---	12,694,593	12,694,593
TOTAL LIABILITIES	29,256	30,183,643	30,212,899
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	369,077	-271,967	97,110
Restricted for Debt Service	---	116,580	116,580
Unrestricted	119,632	---	119,632
TOTAL NET ASSETS	488,709	-155,387	333,322
TOTAL LIABILITIES AND NET ASSETS	\$ 517,965	\$ 30,028,256	\$ 30,546,221

See Accompanying Notes to Financial Statements

TOWNSHIP OF PORTER

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 476,903	\$ ---	\$ ---	\$ -476,903	\$ ---	\$ -476,903
Public Safety	301,000	82,351	---	-218,649	---	-218,649
Public Works	26,026	13,667	---	-12,359	---	-12,359
Recreational and Cultural	---	---	---	---	---	---
Interest on Long-Term Debt	---	---	---	---	---	---
Depreciation (Unallocated)	14,899	---	---	-14,899	---	-14,899
Transfer to Other Government	23,437	---	---	-23,437	---	-23,437
Total Governmental Activities	842,265	96,018	---	-746,247	---	-746,247
Business-Type Activities						
Sewer	43	---	---	---	-43	-43
Interest on Bonds Payable	339,050	---	---	---	-339,050	-339,050
Bond Discount	171,500	---	---	---	-171,500	-171,500
Total Business-Type Activities	510,593	---	---	---	-510,593	-510,593
Total Activities	\$ 1,352,858	\$ 96,018	\$ ---	\$ -746,247	\$ -510,593	\$ -1,256,840
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 156,227	\$ ---	\$ 156,227
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				252,188	---	252,188
Special Assessment				---	116,587	116,587
Interest Earnings				1,103	238,619	239,722
Other				61,937	---	61,937
Total General Revenue				471,455	355,206	826,661
CHANGE IN NET ASSETS				-274,792	-155,387	-430,179
NET ASSETS - BEGINNING OF YEAR				763,501	---	763,501
NET ASSETS - END OF YEAR				\$ 488,709	\$ -155,387	\$ 333,322

See Accompanying Notes to Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS**MARCH 31, 2005**

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 96,228	\$ ---	\$ 96,228
Taxes and Fees Receivable	10,016	---	10,016
Due from Other Governmental Units	42,486	---	42,486
Due from Other Funds	158	---	158
Inventories	---		---
Prepaid Expenditures	---	---	---
TOTAL ASSETS	\$ 148,888	\$ ---	\$ 148,888
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 29,256	\$ ---	\$ 29,256
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
TOTAL LIABILITIES	29,256	---	29,256
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	100	---	100
Unreserved and Undesignated	119,532	---	119,532
TOTAL FUND BALANCES	119,632	---	119,632
TOTAL LIABILITIES AND FUND BALANCES	\$ 148,888	\$ ---	\$ 148,888
TOTAL GOVERNMENTAL FUND BALANCES			\$ 119,632
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 519,282
Accumulated Depreciation is			<u>-150,205</u>
			369,077
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>\$ 488,709</u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 156,227	\$ ---	\$ 156,227
State Grants	252,188	---	252,188
Permits and Licenses	37,581	---	37,581
Charges for Services	96,018		96,018
Interest	1,095	8	1,103
Other	23,325	1,031	24,356
TOTAL REVENUE	566,434	1,039	567,473
EXPENDITURES			
General Government	476,903	---	476,903
Public Safety	300,585	415	301,000
Public Works	26,026	---	26,026
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	6,039	---	6,039
TOTAL EXPENDITURES	809,553	415	809,968
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-243,119	624	-242,495
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	3,437	---	3,437
Operating Transfers Out	---	-3,437	-3,437
Transfers to Other Governments	-23,437	---	-23,437
TOTAL OTHER FINANCING SOURCES <USES>	-20,000	-3,437	-23,437
NET CHANGE IN FUND BALANCES	-263,119	-2,813	-265,932
FUND BALANCES - BEGINNING OF YEAR	303,986	2,813	306,799
ADJUSTMENT IN BEGINNING BALANCE (Note 14)	78,765	---	78,765
FUND BALANCES - END OF YEAR	\$ 119,632	\$ ---	\$ 119,632

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ -265,932**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-14,899	
Capital Outlay	<u>6,039</u>	
		-8,860

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ -274,792**

TOWNSHIP OF PORTER

STATEMENT OF NET ASSETS

PROPRIETARY FUND

MARCH 31, 2005

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash	\$ 11,499,421
Special Assessment Receivable	12,694,593
Prepaid Expenses	<u>---</u>
Total Current Assets	<u>24,194,014</u>
Non-current Assets	
Construction in Progress	<u>5,834,242</u>
TOTAL ASSETS	<u>\$ 30,028,256</u>
LIABILITIES	
Current Liabilities	
Current Portion of Bonds Payable	\$ 50,000
Accrued Interest	<u>339,050</u>
Total Current Liabilities	<u>389,050</u>
Long-Term Liabilities	
Bonds Payable	17,100,000
Deferred Revenue - Special Assessment	<u>12,694,593</u>
Total Long-Term Liabilities	<u>29,794,593</u>
TOTAL LIABILITIES	<u>30,183,643</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	-271,967
Restricted for Debt Service	116,580
Unrestricted	<u>---</u>
TOTAL NET ASSETS	<u><u>\$ -155,387</u></u>

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	<u>Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	<u>\$ ---</u>
OPERATING EXPENSES	
Salaries	---
Employee Benefits	---
Office Supplies	<u>43</u>
TOTAL OPERATING EXPENSES	<u>43</u>
OPERATING INCOME <LOSS>	-43
NON-OPERATING REVENUE <EXPENSES>	
Special Assessment	116,587
Interest Income	238,619
Bond Discount	-171,500
Interest Expense	<u>-339,050</u>
TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>-155,344</u>
CHANGE IN NET ASSETS	-155,387
NET ASSETS - BEGINNING	<u>---</u>
NET ASSETS - ENDING	<u><u>\$ -155,387</u></u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

STATEMENT OF CASH FLOW PROPRIETARY FUND

FOR THE YEAR ENDED MARCH 31, 2005

	<u>Sewer Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ ---
Cash Payments for Goods and Services	-43
Cash Payments to Employees	---
Cash Payments for Employee Benefits	---
NET CASH USED BY OPERATING ACTIVITIES	<u>-43</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	---
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>
Increase <Decrease> in Accrued Interest	339,050
Bond Discount	-171,500
Interest Expense	-339,050
Increase <Decrease> in Bonds Payable	17,150,000
Special Assessment Revenue	116,587
NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>17,095,087</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends	238,619
Sale of Assets	---
Purchase of Assets	-5,834,242
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-5,595,623</u>
NET INCREASE <DECREASE> IN CASH	11,499,421
CASH - BEGINNING OF YEAR	<u>---</u>
CASH - END OF YEAR	<u><u>\$ 11,499,421</u></u>
RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income <Loss>	-43
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	---
Decrease <Increase> in Accounts Receivable	---
Decrease <Increase> in Prepaid Expenses	---
Increase <Decrease> in Accounts Payable	---
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ -43</u></u>

See Accompanying Notes to Financial Statements.

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

MARCH 31, 2005

	<u>Sewer Fund</u>
ASSETS	
Cash	\$ 872
Accounts Receivable	<u>---</u>
TOTAL ASSETS	<u>\$ 872</u>
 LIABILITIES	
Due to Other Funds	\$ 158
Due to Other Entities	---
Due to Other Taxing Units	<u>714</u>
TOTAL LIABILITIES	<u>\$ 872</u>

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Township of Porter covers an area of approximately 54 square miles located in Cass County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

BASIS OF PRESENTATION (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the Township is the Fire Fund.

NOTES TO FINANCIAL STATEMENTS

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or ((b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The County of Cass prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Cass County for collection and to be added to the delinquent tax rolls. The County of Cass purchases delinquent real property taxes of the Township of Porter. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This will take place in June 2005. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2004 were .7463 mills for operations. Total taxable value of real and personal property in the Township was \$142,661,443.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

NOTES TO FINANCIAL STATEMENTS

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Other equipment	5-10 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at two banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured & Uncollateralized	11,395,649	11,596,920
Total Deposits	<u>\$ 11,595,649</u>	<u>\$ 11,796,920</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

The construction funds for the sewer project are maintained by Cass County, and are considered uninsured.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCUMULATED FUND DEFICITS

There was an accumulated fund deficit in the Sewer Fund at March 31, 2005. This fund is in the construction phase of a new sewer system, and the fund deficit is considered temporary until the completion of the system.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at March 31, 2005, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	<u>\$ 158</u>	Trust and Agency	<u>\$ 158</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Assets not being depreciated:				
Land	\$ 10,000	\$ ---	\$ ---	\$ 10,000
Capital assets being depreciated:				
Buildings	475,000	---	---	475,000
Vehicles	367,903	---	---	---
Equipment	215,702	6,039		34,282
Subtotal	1,058,605	6,039	---	509,282
Accumulated depreciation:				
Buildings	128,125	11,875	---	140,000
Vehicles	367,903	---	---	---
Equipment	194,640	3,024		10,205
Subtotal	690,668	14,899	---	150,205
Net capital assets being depreciated	367,937	-8,860	---	359,077
Net capital assets	\$ 377,937	\$ -8,860	\$ ---	\$ 369,077

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Township's Business-type activities was as follows:

	Balance April 1, 2004	Additions	Disposals And adjustments	Balance March 31, 2005
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Building and building improvements	---	---	---	---
Sewer System	---	5,834,242	---	5,834,242
Equipment	---	---	---	---
Subtotal	---	5,834,242	---	5,834,242
Accumulated depreciation:				
Building and building improvements	---	---	---	---
Sewer System	---	---	---	---
Equipment	---	---	---	---
Subtotal	---	---	---	---
Net capital assets being depreciated	---	5,834,242	---	5,834,242
Net capital assets	\$ ---	\$ 5,834,242	\$ ---	\$ 5,834,242

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended March 31, 2005, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
General Fund			
General Government	\$ 467,361	\$ 476,903	\$ 9,542
Public Safety	244,861	300,585	55,724
Fire Fund			
Expenditures	---	415	415

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

During the year ended March 31, 2005, the Township did not participate in any retirement plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2005, various claims exist, but no provision has been entered into the accounting records because possible losses cannot be reasonably estimated.

In this past fiscal year, the Township filed a lawsuit attempting to stop the bond sale and subsequent sewer construction. Legal fees related to this event exceeded \$150,000. At March 31, 2005, this lawsuit had been discontinued, and sewer construction is proceeding forward.

NOTE 10 - BONDS PAYABLE

On April 1, 2004, the Township made an agreement with Cass County to pay bonds for the construction of a sewer system. The bonds total \$17,150,000, and principal payments are due May 1 beginning in 2005 and ending in 2024. Interest is payable on May 1 and November 1 each year. Interest rates range from 3.00% to 4.625%.

NOTE 10 - BONDS PAYABLE (CONTINUED)

The bonds are payable as follows:

Year ending March 31	Bond Principal	Bond Interest	Total
2005	\$ ---	\$ 339,050	\$ 339,050
2006	50,000	677,225	727,225
2007	850,000	661,475	1,511,475
2008	950,000	629,975	1,579,975
2009	900,000	597,600	1,497,600
2010	900,000	568,350	1,468,350
2011	900,000	540,225	1,440,225
2012	900,000	509,850	1,409,850
2013	900,000	478,350	1,378,350
2014	900,000	445,725	1,345,725
2015	900,000	410,850	1,310,850
2016	900,000	374,850	1,274,850
2017	900,000	338,288	1,238,288
2018	900,000	300,825	1,200,825
2019	900,000	262,575	1,162,575
2020	900,000	223,425	1,123,425
2021	900,000	183,375	1,083,375
2022	900,000	142,875	1,042,875
2023	900,000	102,375	1,002,375
2024	900,000	61,875	961,875
2025	900,000	20,812	920,812
	<u>\$ 17,150,000</u>	<u>\$ 7,869,950</u>	<u>\$ 25,019,950</u>

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains one Enterprise Fund providing sewer services. Segment information for the year ended March 31, 2005, is as follows:

Operating Revenues	\$ ---
Operating Expenses Before Depreciation	---
Depreciation	---
Operating Income <Loss>	-43
Net Earnings <Loss>	-155,387
Total Assets	30,028,256
Long-Term Debt	17,100,000
Total Net Assets	\$ -155,387

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SPECIAL ASSESSMENT

A Special Assessment district has been established by the Township to collect monies for the payment of the Bonds for the sewer project. These assessments could be paid interest free until May 1, 2005, or in annual installments over 20 years, including interest. The Township records all uncollected special assessments as deferred revenue.

Total special assessment	\$ 12,811,180
Amounts collected	<u>-116,587</u>
Receivable/Deferred Revenue	<u>\$ 12,694,593</u>

NOTE 13 - FIRE AND AMBULANCE DEPARTMENTS

Beginning October 1, 2005, the Township fire protection and ambulance services were contracted with Southeast Public Safety Authority. (SEPSA) The cash resources of the Fire Fund (\$3,437) were transferred to SEPSA, as were the vehicles and equipment owned by the Township. Beginning October 1, 2005, the Township began paying SEPSA \$14,014.77 per month for these services.

NOTE 14 - NEWBERG TOWNSHIP AGREEMENT

Effective April 1, 1999, the Township sold fire and ambulance equipment to Newberg Township for \$175,000. Part of this agreement is a contract for Newberg Township to provide fire and ambulance services to the northern part of Porter Township. The total cost of this agreement is 2% of state equalized value of property in the district (\$63,279) in the current fiscal year). Porter Township pays \$27,000 to Newberg Township, and the balance due reduces the balance of the equipment sale agreement.

Contract Balance - Beginning of Year	\$ 78,765
Amount credited to contract (\$63,279-\$27,000)	<u>-36,279</u>
Contract Balance - End of Year	<u>\$ 42,486</u>

The beginning of year balance was not included in previous financial statements, and is included as an adjustment to beginning fund balance in this statement.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF PORTER

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ 141,900	\$ 141,900	\$ 156,227	\$ 14,327
State Shared Revenue	256,600	256,600	252,188	-4,412
Permits and Licenses	40,350	40,350	37,581	-2,769
Charges for Services	134,490	134,490	96,018	-38,472
Interest	1,600	1,600	1,095	-505
Other	2,000	2,000	23,325	21,325
Transfers In	---	---	3,437	3,437
TOTAL REVENUES	576,940	576,940	569,871	-7,069
EXPENDITURES				
General Government	277,844	467,361	476,903	-9,542
Public Safety	282,000	244,861	300,585	-55,724
Public Works	35,500	35,500	26,026	9,474
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	25,000	31,248	6,039	25,209
Other Uses - Operating Transfers Out	27,000	---	3,437	-3,437
TOTAL EXPENDITURES	647,344	778,970	812,990	-34,020
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES AND OTHER USES	-70,404	-202,030	-243,119	-41,089
BUDGETARY FUND BALANCE - April 1, 2004	303,986	303,986	303,986	---
BUDGETARY FUND BALANCE - March 31, 2005	\$ 233,582	\$ 101,956	\$ 60,867	\$ -41,089

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF PORTER

GENERAL FUND BALANCE SHEET

MARCH 31, 2005

ASSETS

Cash	\$ 96,228
Investments	---
Contract Receivable	42,486
Taxes and Fees Receivable	10,016
Due from Other Funds	<u>158</u>

TOTAL ASSETS

\$ 148,888

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 29,256
Payroll Taxes Payable	---
Due to Other Funds	<u>---</u>
TOTAL LIABILITIES	<u>29,256</u>

FUND BALANCE

Reserved	100
Unreserved - Designated	---
Unreserved - Undesignated	<u>119,532</u>
TOTAL FUND BALANCE	<u>119,632</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 148,888

GENERAL FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes And Penalties			
Property taxes	\$ 103,000	\$ 106,382	\$ 3,382
Administration fees	30,000	41,301	11,301
Set fee	8,500	8,445	-55
Penalties and interest	400	99	-301
Total Taxes And Penalties	141,900	156,227	14,327
Licenses And Permits			
Dog licenses	100	113	13
Mobile home fees	150	150	---
Cable vision fees	5,600	8,677	3,077
Electrical permits	9,000	7,085	-1,915
Building permits	15,000	12,592	-2,408
Mechanical permits	6,000	5,841	-159
Plumbing permits	4,500	3,123	-1,377
Total Licenses And Permits	40,350	37,581	-2,769
State Revenue			
State Shared Revenue	256,600	252,188	-4,412
Other	---	---	---
Total State Revenue	256,600	252,188	-4,412
Charges For Services			
Mason twp. fire and ambulance	66,690	33,630	-33,060
Zoning enforcement	500	500	---
Zoning appeals and compliance	4,000	4,570	570
Land division applications	2,500	1,525	-975
Copies	100	196	96
Fire runs	3,000	3,090	90
Grave openings	2,000	5,620	3,620
Ambulance fees	50,000	40,561	-9,439
Cemetery lot sales	2,000	1,925	-75
Zoning book sales	200	100	-100
Dust Control	3,500	4,301	801
Total Charges For Services	134,490	96,018	-38,472

TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE (CONTINUED)			
Interest	1,600	1,095	-505
Miscellaneous	2,000	22,963	20,963
Donations	---	362	362
Transfers In	---	3,437	3,437
TOTAL REVENUE	\$ 576,940	\$ 569,871	\$ -7,069

EXPENDITURES

General Government

Legislative Board

Salaries and wages	\$ 4,000	\$ 3,917	\$ 83
Payroll taxes	12,264	12,063	201
Website	205	205	---
Office supplies	8,683	8,465	218
Postage	---	2,817	-2,817
Audit fees	4,172	4,100	72
Payroll processing	1,500	1,071	429
Legal fees	189,376	196,423	-7,047
Tax roll	25,465	25,465	---
Conferences and workshops	1,000	---	1,000
Printing and publishing	2,901	2,127	774
Insurance and bonds	28,361	28,361	---
Miscellaneous	---	655	-655
Bank charges	109	109	---
Membership dues	2,769	2,769	---
Clean Up Day	---	3,506	-3,506

<i>Total Legislative Board</i>	280,805	292,053	-11,248
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**GENERAL FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL**

YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Supervisor</i>			
Salaries and wages	\$ 14,700	\$ 14,394	\$ 306
Mileage	---	---	---
<i>Total Supervisor</i>	14,700	14,394	306
<i>Elections</i>			
Salaries and wages	8,559	6,029	2,530
Office supplies	---	1,013	-1,013
Postage	---	44	-44
Mileage	600	25	575
Conferences	---	130	-130
Printing	---	1,146	-1,146
Equipment repair	---	220	-220
<i>Total Elections</i>	9,159	8,607	552
<i>Assessor</i>			
Fees	69,000	69,000	---
Postage	1,500	912	588
Software	---	310	-310
<i>Total Assessor</i>	70,500	70,222	278
<i>Board of Review</i>			
Salaries and wages	1,191	1,191	---
Mileage	---	47	-47
Printing	180	180	---
Conferences	110	110	---
<i>Total Board of Review</i>	1,481	1,528	-47
<i>Clerk</i>			
Salaries and wages	15,250	14,615	635
Mileage	---	---	---
<i>Total Clerk</i>	15,250	14,615	635

TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Treasurer</i>			
Salaries and wages	17,850	17,850	---
Mileage	---	---	---
<i>Total Treasurer</i>	17,850	17,850	---
<i>Township Hall</i>			
Clerical	23,895	23,895	---
Telephone	6,000	4,389	1,611
Utilities	3,000	2,964	36
Mileage	---	1,342	-1,342
Equipment repair	---	1,911	-1,911
Building maintenance	8,000	6,387	1,613
Trash, lawn, snow	1,228	1,228	---
Safe deposit box	---	25	-25
<i>Total Township Hall</i>	42,123	42,141	-18
<i>Cemeteries</i>			
Clerical	---	440	-440
Grave Openings/Closings	---	4,750	-4,750
Office Supplies	---	60	-60
Mileage	---	83	-83
Veteran's Flags	---	360	-360
Conferences	---	619	-619
Memberships and Dues	---	30	-30
Ground Maintenance	15,493	9,151	6,342
<i>Total Cemeteries</i>	15,493	15,493	---
Total General Government	\$ 467,361	\$ 476,903	\$ -9,542

EXPENDITURES (CONTINUED)**Public Safety***Building Inspector*

Inspection fees	\$ 15,000	\$ 15,472	\$ -472
Telephone	---	1,800	-1,800
Memberships	---	20	-20

Total Building Inspector

15,000	17,292	-2,292
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Mechanical Inspector

Inspection fees	6,000	4,889	1,111
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Electrical Inspector

Inspection fees	9,000	7,458	1,542
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Fire Department - Porter

Salaries and run fees	73,500	61,657	11,843
Software	---	542	-542
Operating supplies	---	210	-210
Telephone	---	410	-410
Mileage	---	992	-992
Vehicle expense	---	2,488	-2,488
Miscellaneous	---	777	-777
Insurance	---	1,598	-1,598
Utilities	---	1,306	-1,306
Equipment repair	---	2,168	-2,168
Building maintenance	23,285	16,602	6,683
Trash, lawn, snow	---	1,318	-1,318
Training	---	2,279	-2,279
Memberships	---	1,106	-1,106
Administration	48,000	84,089	-36,089

Total Fire Dept.- Porter

144,785	177,542	-32,757
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Fire Department - North Porter

EMS Service Fee	27,000	63,279	-36,279
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Plumbing Inspector

Inspection Fees	4,500	2,793	1,707
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TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
Public Safety (Continued)			
<i>Zoning</i>			
Salaries and Wages	5,000	1,460	3,540
Office Supplies	---	61	-61
Mileage	---	32	-32
Printing and Publishing	---	402	-402
<i>Total Zoning</i>	<u>5,000</u>	<u>1,955</u>	<u>3,045</u>
<i>Zoning Administrator</i>			
Salaries	<u>10,000</u>	<u>6,272</u>	<u>3,728</u>
<i>Ambulance - Porter</i>			
Collection Fees	---	3,770	-3,770
ALS Intercepts	15,000	9,116	5,884
Salaries and Wages	4,969	4,969	---
Telephone	---	38	-38
Office Supplies	---	209	-209
Operating Supplies	3,607	212	3,395
Mileage	---	315	-315
Clothing	---	80	-80
Training	---	396	-396
<i>Total Ambulance - Porter</i>	<u>23,576</u>	<u>19,105</u>	<u>4,471</u>
Total Public Safety	<u>\$ 244,861</u>	<u>\$ 300,585</u>	<u>\$ -55,724</u>
Public Works			
<i>Highways and Roads</i>			
Dust Control	\$ 5,500	\$ 7,493	\$ -1,993
Drains	<u>30,000</u>	<u>18,533</u>	<u>11,467</u>
<i>Total Highways and Roads</i>	<u>35,500</u>	<u>26,026</u>	<u>9,474</u>
Total Public Works	<u>35,500</u>	<u>26,026</u>	<u>9,474</u>
Capital Outlay			
Township Hall	6,248	6,039	209
Fire Department	<u>25,000</u>	<u>---</u>	<u>25,000</u>
Total Capital Outlay	<u>31,248</u>	<u>6,039</u>	<u>25,209</u>
Transfer to Other Governments	---	23,437	-23,437
TOTAL EXPENDITURES	<u>\$ 778,970</u>	<u>\$ 832,990</u>	<u>\$ -54,020</u>

**FIRE DEPARTMENT FUND
BALANCE SHEET**

MARCH 31, 2005

ASSETS

Cash	\$ ---
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FUND BALANCES

Reserved	\$ ---
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**FIRE DEPARTMENT FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE**

YEAR ENDED MARCH 31, 2005

REVENUE

Fund Raiser	\$ ---
Interest	8
Donations	---
Miscellaneous	1,031

TOTAL REVENUE	1,039
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EXPENDITURES

Fund Raiser Expense	---
Miscellaneous	---
Community Promotion	415
Bank Charges	---
Paging	---
Meetings	---
Capital Outlay	---

TOTAL EXPENDITURES	415
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EXCESS OF REVENUES OVER EXPENDITURES	624
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TRANSFER TO OTHER GOVERNMENTS	-3,437
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FUND BALANCE - BEGINNING OF YEAR	2,813
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FUND BALANCE - END OF YEAR	\$ ---
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AGENCY FUNDS

**TRUST AND AGENCY FUNDS
BALANCE SHEET**

MARCH 31, 2005

ASSETS

Cash	<u>\$ 872</u>
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LIABILITIES

Due to Other Funds	158
Due to Other Governments	<u>714</u>
	<u>\$ 872</u>

PORTER TOWNSHIP

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2005

	03-31-04			03-31-05
	Balance	Receipts	Disbursements	Balance
ASSETS				
Cash	\$ 47	\$ 3,559,125	\$ 3,559,071	\$ 101
LIABILITIES				
Due to General Fund	\$ 47	\$ 131,364	\$ 131,310	\$ 101
Due to County	---	2,218,721	2,218,721	---
Due to Schools	---	1,185,895	1,185,895	---
Due to Other	---	23,145	23,145	---
	\$ 47	\$ 3,559,125	\$ 3,559,071	\$ 101

PORTER TOWNSHIP CURRENT TAX COLLECTION FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED MARCH 31, 2005

RECEIPTS

Tax Collections	<u>\$ 3,975,924</u>
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DISBURSEMENTS

Township	\$ 145,463
Constantine Schools	932,027
White Pigeon Schools	253,158
Three Rivers Schools	30,014
Cassopolis Schools	70,675
County	2,505,292
Other	<u>38,524</u>
	<u>\$ 3,975,153</u>

3775 Kimmel Road

(517) 563-8856 Phone / 563-2552

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board
Porter Township

We have audited the general-purpose financial statements of the Township of Porter as of and for the year ended March 31, 2005, and have issued our report thereon dated May 6, 2005. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Porter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Porter's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Township Board, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

May 6, 2005

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road

Fax

(517) 563-8856 Phone / 563-2552

May 6, 2005

To the Township Board
Porter Township

I have recently completed the audit of the books and records of Porter Township for the year ended March 31, 2005, and would like to take this opportunity to make the following comments and recommendations.

Financial Position

The general fund finished the year with a fund balance of \$119,632. This is a decrease from the prior year level by \$184,354. The Fire Department fund balance was transferred to Southeast Public Safety Authority, and has been discontinued in the books of Porter Township.

Budget Variances

During this fiscal year, the general fund expenditures exceeded budgeted amounts by over \$34,000. This is a violation of State of Michigan law. It is necessary, if a budgetary category is going to be overspent, to amend the budget at a Township Board meeting.

GASB 34

The financial standards for governmental units have changed for fiscal years ending after June 15, 2004. The changes are proclamation 34 from the Governmental Accounting Standards Board.

The most significant change in the new standards involves the valuation and depreciation of Township fixed assets. The reporting format has also changed considerably, showing government-wide reports that include depreciated fixed assets, long-term debt and accrued interest.

Office Environment

During the audit, the office environment was extremely tense. I understand that there was a successful recall election just over a year ago. I understand that the sewer issue continues to be a hotly disputed topic. At some point, the disagreements between the parties need to be set aside. The office needs to be operated in a professional and courteous manner toward each other, and toward all Township residents who stop by. This needs to be true regardless of which side of the sewer issue you are on.

Adjusting Entries

The following adjustments were made to reconcile the year-end accounting information maintained by the Township Clerk.

1. Prior year accounts payable were reversed from the accounting records.
2. Current year accounts payable were entered into the accounting records.
3. Minor adjustments were made to reconcile the payroll taxes and withholding accounts.
4. The remaining amount to be received from Newberg Township was entered into the accounting records.
5. Sewer collections were moved from general fund accounting into sewer fund accounting.
6. Various expenditure items were reclassified into other accounts.
7. Cash and tax accounts were reconciled.
8. Administration receipts were reclassified.

Fund Balance Accounting Software

Currently, all accounting information is entered into the accounting software using journal entries. This works, but there are other methods (cash receipts, cash disbursements, etc.) which incorporate other features of the software which would make it easier to take advantage of options available with the software. We recommend that additional training courses be attended to learn to fully utilize the software. This would streamline the data entry, and improve the reporting features currently available.

Thank you for the opportunity to work with you. Please call my office if there are any questions regarding any aspect of the audit.

Sincerely,

A handwritten signature in black ink that reads "Karl L. Drake". The signature is written in a cursive style with a large, stylized "K" and "D".

Karl L. Drake, CPA